

**BEFORE  
THE PUBLIC SERVICE COMMISSION  
OF SOUTH CAROLINA  
DOCKET NO. 2013-329-WS**

In RE:  
Application of Daufuskie Island  
Utility Company, Inc. for Approval to  
Transfer Stock to Remove  
Daufuskie Utility Company, Inc.  
From Its Current Status as a  
Subsidiary of CK Materials, LLC

**OBJECTION TO PETITION TO  
INTERVENE AND REQUEST  
FOR EXPEDITED REVIEW OF  
PENDING APPLICATION  
WITHOUT HEARING**

Affidavit of John F. Guastella

1. My name is John F. Guastella, and I am President of Guastella Associate, LLC (“Guastella”).
2. Guastella is the manager of Daufuskie Island Utility Company, Inc. (“DIUC”).
3. I have personal knowledge of the facts set forth herein.
4. In 2012, the Public Service Commission (“PSC”) approved a rate increase that became effective on August 15, 2012, which recognized a \$3.0 million anticipated financing and required that DIUC establish a separate capital reserve of \$700,000 in order to fund needed improvements to its utility systems.
5. Despite the rate increase, the original potential lender, CoBank, withdrew its proposal to provide financing. Subsequently, Wells Fargo Bank submitted a financing proposal, which the PSC approved on an expedited basis. After providing Wells Fargo with voluminous responses to its requests, it nonetheless decided not to undertake the financing.
6. On the basis of its banking relationship with the president of DIUC, SunTrust Bank considered DIUC’s financial statements and cash flow projections, and proposed a \$3,250,000 financing, which the PSC also approved, again on an expedited basis, apparently recognizing that the funding of necessary improvements is in the best interest of the customers.
7. As of this date, all of SunTrust’s requirements have been addressed, and closing is anticipated upon the PSC’s approval of the proposed reorganization. I would note that SunTrust is well-informed about the storage tank land parcel that was purchased by

Mamdouh Sabry Abdelrahman in a tax sale, as well as DIUC's condemnation action and Mamdouh Sabry Abdelrahman contesting of DIUC's right to condemn the property.


8. The tax sale of the storage tank parcel was the result of Beaufort County sending property tax bills to the wrong address and then posting the required notice of a tax sale on the wrong property. Mamdouh Sabry Abdelrahman purchased this parcel for \$526.70. After an initial telephone conversation regarding the property, Mamdouh Sabry Abdelrahman did not return my telephone calls. Then our attorney's negotiations for DIUC to purchase the parcel at a workable price failed.
9. The storage tank parcel is 0.377 acres that cannot be used for residential or other real estate development even if the storage tank and other facilities were removed. On the basis of an independent appraisal performed on behalf of DIUC, the market value is estimated at \$3,700. DIUC has filed a condemnation action and has deposited that amount. Mamdouh Sabry Abdelrahman has filed a complaint about DIUC's right to condemn and DIUC has filed an answer to that complaint. SunTrust is aware of these legal actions.
10. I have examined Mamdouh Sabry Abdelrahman's Petition to Intervene in this proceeding and find that the substantive grounds contained therein are not at all relevant as to whether the stockholder of DIUC becomes Daufuskie Island Holding Company, LLC which is owned by the same three individuals as the currently structured ownership. Specifically, regardless of the name, character, person, or entity of DIUC's stockholder:
  - a. Mamdouh Sabry Abdelrahman owns a 0.377 acre parcel of property that he cannot use for real estate or any other purpose, regardless of the stockholder.
  - b. The pending condemnation action by DIUC will proceed without change, regardless of the stockholder of DIUC.
  - c. The market value of the subject property and any potential condemnation award is entirely independent of the stock ownership of DIUC.
11. In sum, whether or not the PSC approves to stock transfer, Mamdouh Sabry Abdelrahman's ownership of the tank property would not change; the marked value of the subject property would not change; the decision of the court with respect to the right to condemn and the condemnation award would not change.
12. Although not relevant as to the transfer of stock, I will address the errors in Mamdouh Sabry Abdelrahman's petition so that the PSC is correctly informed of his position. I do so as having been accepted as an expert in utility rate setting, valuations, appraisals of water and wastewater property; in condemnation cases, and on the basis of my direct knowledge in managing DIUC and arranging financing with SunTrust.

13. In Paragraph 6, Mamdouh Sabry Abdelrahman states, "Upon information and belief, DIUC is unable to refinance its obligations per Order No. 2012-930 and 2013-605 because of petitioner's parcel and related infrastructure is material to the lender." His statements should not be believed because he is not well informed. First, the PSC has approved the financing, which is an original financing not a "refinancing." Moreover, the lender, SunTrust, is fully aware of Mamdouh Sabry Abdelrahman and is moving forward despite his attempts to extract an exorbitant payment for the subject property. The property will be added as part of the collateral for the loan if and when acquired by DIUC. If, in the extremely unlikely event that DIUC does not acquire the property, SunTrust has been informed that DIUC has the ability, confirmed by its outside consulting engineer, that the storage tank and related facilities can be bypassed, and another tank constructed on nearby property owned by one of the utility's owners. The proposed transfer of stock does not alter these facts in any way.
14. In Paragraph 8, Mamdouh Sabry Abdelrahman states that DIUC does not appear to have the means or ability to meet the projected costs in excess of \$1,000,000. In accordance with the Uniform Standards of Professional Appraisal Practice, market values and condemnation awards are made on the basis of value to the owner, not the purchaser or condemner, and Mamdouh Sabry Abdelrahman owns a parcel of land that he cannot develop or use for any purpose. His \$1,000,000 is unsupported and in stark contradiction to the \$3,700 market value estimate by DIUC's independent appraiser. In any event, the PSC has no jurisdiction to establish market value in a condemnation matter and certainly not in the instant proceeding,
15. DIUC has worked hard to finance improvements to the water and wastewater systems, with the understanding and cooperation of the PSC as well as DHEC because it is clearly in the best interest of DIUC's customers. Mamdouh Sabry Abdelrahman's efforts to interfere with that objective and DIUC's financing for the sole purpose of extracting an exorbitant payment for a parcel of land that is of absolutely no other use to him should not be allowed to succeed by delaying the PSC's decision as to the proposed stock transfer.

Further Affiant sayeth not.

  
John F. Guastella

SWORN before me this 15<sup>th</sup> day of October, 2013

  
Notary Public for the State of Florida  
My Commission Expires: 09-30-2015

